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STATE FOR NEA/ARP
COMMERCE FOR ITA COBERG

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TAGS: [ECON](#) [PGOV](#) [SOCI](#) [MU](#)
SUBJECT: MINISTER STAYS THE COURSE ON PRICE INCREASES

REF: MUSCAT 978

Classified By: Ambassador Gary A. Grappo, reasons 1.4 (b, d)

¶1. (C) On November 11, the Ambassador discussed the impact of recent price increases with Minister of Commerce and Industry Maqbool bin Ali Sultan. The Minister stated that the government was concerned with the hikes, especially with respect to rents. (Note: For example, one survey reported rents in the Muscat area have risen by more than 35% in the past year. End note.) To address public outcries, the government has formed a national committee to evaluate ways of stemming the increases; its first meeting is scheduled for December. Maqbool noted that some of his colleagues are floating the idea that the government should build housing, which he opposes. "The issue is simply a result of an imbalance in supply and demand," noted Maqbool, "and so should be resolved by the private sector." He acknowledged efforts by landlords to sidestep the government's recent mandate to cap rental increases by 15% per year, but found the measure to be helping "in a big way."

¶2. (C) Maqbool also expressed his concern over the rapidly escalating cost of construction materials and food staples. "Flour, bread, rice, they've all gone up," mused the Minister. He remarked that India had stopped exporting non-basmati rice, and that Thai rice was rapidly increasing in price, contributing to growing public discontent. That sentiment, however, has not been directed at exporters, but has fallen at the Minister's doorstep. "People think the Minister of Commerce and Industry is the reason for these price increases," lamented Maqbool.

¶3. (C) Comment: Maqbool appears intent on sticking to his position that the market should run its course with as little public sector intervention as possible, despite growing public pressure for the government to clamp down on price surges. While his stance has reshaped him into one of Oman's least popular ministers, Maqbool still retains the support of the powerful Minister of National Economy. End Comment.
GRAPPO